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Indonesia

Oilseeds and Products

Annual

2006

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Report Highlights:
Indonesia's palm oil production is expected to continue growing, reaching 15 million tons in 2005/06. Soybean imports are expected to grow only modestly. Soybean meal imports are also expect to grow, albeit slowly, as avian influenza continues to plague the poultry industry, hampering stronger growth.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Jakarta [ID1]
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TABLE OF CONTENTS

TOTAL OILSEEDS

Soybeans

Soybean production remains relatively stable, with 2005/06 production forecast to grow to 832,000 tons, up just slightly from 825,000 tons estimated for 2004/05. There has been no significant improvement in yield and production due to lack of superior seeds, uncompetitive domestic price of soybeans compared to alternative crops, unsuitable agronomic conditions, and shortage of land for area expansion.

Keeping pace with population growth, consumption (with no crushing sector, soybeans in Indonesia are used almost exclusively to produce products for direct human consumption) is expected to continue growing moderately. However, the highly publicized use of formaldehyde as food preservative in tofu, announced by the Indonesian Food and Drugs Monitoring Board in late 2005, caused a temporary sharp decline in demand for soybeans. Local authorities took several steps to curb the production and use of formaldehyde as a preservative in tofu. As of February 2006, the sector was still struggling to recover, but it is expected that consumption will rebound in 2006 as this controversy fades from public view. Tempe/tofu remains the cheapest protein source and will continue to comprise a main source of protein in the Indonesian diet.

In line with growing domestic consumption, soybean imports are forecast to grow to about 1.2 million tons in 2005/06. Importers report that credit problems, high freight rates, increased domestic fuel prices, and an unstable exchange rate hinder purchases. Furthermore, as a result of past financial problems, importers are now less likely to engage in market speculation, and only make import decisions based on actual demand.

Tempe/tofu manufactures continue to prefer U.S. soybeans over other suppliers, with U.S. market share at about 81 percent. However, this share is down from up to 95 percent in recent years, as imports from South America continue to slowly erode U.S. dominance in the market.

TOTAL OILS

Palm Oil

The palm oil sector is still one of the most dynamic sectors of Indonesia's agro-industry, with new investment continuing, and output growing steadily. Palm oil (CPO) production is forecast to reach 15 million tons in 2005/06, up from 14 million tons estimated for 2004/05. Continue area expansion, and improved productivity and oil extraction rates fuel the growth. In terms of market structure, smallholders own 28 percent, State-owned companies manage 12 percent, and private companies manage the remaining 60 percent of production area. The greatest gains in productivity are reported among the private plantations holders, where yields reached 19 tons/ha/year of Fresh Fruits Bunches (TBS = Tandan Buah Segar) in 2005, up from 16 tons/ha/year of TBS in 2004.

Prospects for continued growth in the palm oil industry remain bright. Many recently developed plantations, particularly in Kalimantan, have not even started to produce yet. In the next few years as these new areas begin to produce, output is expected to surpass that of Malaysia. In addition, despite many objections concerning environmental issues and the suitability of the area for palm oil production, GOI has discussed plans to make available up to 1.8 million hectares of public land in Kalimantan for development of new palm oil plantations. Many market players have shown an interest investing in this new area. The

Indonesia sector also views bio-diesel as an important source of new potential demand, although the local industry has yet to develop any significant production capacity.

Despite these bright prospects, several obstacles still hamper efforts for further growth. These include lack of certified seeds (most of the certified seed is being sent to newly opened areas in Kalimantan), theft at plantations and while product is in-transit, lack of access to financial credit, uncertain legal guidelines regarding land ownership and management, and growing concern regarding the environmental impact of palm oil production.

Progress in economic conditions and rising industrial use is expected to drive growth in total domestic consumption. Total domestic consumption of palm oil (including industrial consumption) in 2004/05 is estimated at 4.2 million tons and is forecast to grow 17 percent to 4.9 million tons in 2005/06. The principal domestic use of palm oil is for cooking oil.

The elimination of 10 percent VAT on CPO, which has long requested by the industry would, if implemented, drive more investment in palm oil and its derivatives industry, and increase the export of high value products derived from CPO and more price competitiveness for Indonesian palm oil in international market.

In line with the increasing demand from several countries, CPO exports are forecast to reach over 10 million tons in 2005/06, up from 9.6 million tons in 2004/05. The major markets for Indonesian palm oil are India (26%), EU (20%), China (13%), Pakistan (7%) and Malaysia (5%). India’s decision to reduce the minimum beta carotene requirement from 500 mg/kg to 250 mg/kg will favor Indonesian palm oil exports to this country. However WHO, FAO and CODEX Alimentarius Commission regulations of minimum 500 mg/kg beta carotene contained in palm oil, and the RSPO (Roundtable on Sustainable Palm Oil) regulations demanding more environmental consideration in opening and managing plantations will be additional challenges to Indonesian palm oil exports in the long term.

After months of uncertainty, in December 2005, the Ministry of Trade (MOT) set new export price benchmarks, which are used as the basis for calculating the export tax (see attached tables). MOT will use the international prices as reference to set the benchmark prices and will review them monthly. The policy is retroactive effective to October 2005. However, the impact of the changes has not significantly influenced the palm oil industry.

Palm Kernel Oil

As palm oil production increases, palm kernel oil (PKO) production is also expected to increase to 1.8 million tons in 2005/06, up from 1.6 million tons in 2004/05. Almost 60 percent of PKO production is exported. Palm kernel oil is used in the oleo chemical industries such as cosmetics and cooking oil production.

TOTAL OIL MEAL

Soybean Meal

Since there are no crushing facilities in Indonesia, soybean meal is fully supplied from imports, and import demand is almost exclusively derived from the poultry industry. With no significant increase in demand from the poultry industry expected, imports of soybean meal are forecast to grow only marginally from 1.579 tons in 2004/05 to 1.6 tons in 2005/06. Major soybean meal suppliers to Indonesia in 2004/05 were Argentina (46%), Brazil (34%) and India (15%). With uncompetitive landed prices, the United States continues to lose market share, accounting for only 5% of total imports in 2004/05.

Total consumption of soybean meal is forecast to remain at about 1.6 tons in 2005/06. While not markedly causing a drop in poultry demand, the presence of Avian Influenza (AI) continues to hinder growth in the poultry sector and increased use of soybean meal. There have been 23 human infections, with 16 casualties (as of February 2006), and case in the poultry sector experience an increase in early 2006. However the increase in fuel prices has forced poultry industry to use more soybean meal as the cheapest protein source in feed.

Palm Kernel Meal

In line with the increase in oil palm production, palm kernel production is also expected to increase to 1.849 million tons in 2005/06 from 1.8 million tons in 2004/05. Around 83% of palm kernel meal is exported with major destinations being the Netherlands (65%), South Korea (21%) and Germany (9%). Domestic consumption of palm kernel meal for feed industry is increasing by approximately 2.4% from 290,000 tons in 2004/05 to 297,000 tons in 2005/06.

EXCHANGE RATE (RUPIAH/US$)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	8,417	8,439	8,586	8,631	9,290	9,406	9,104	9,257	9,189	9,099	8,994	9,361
2005	9,149	9,235	9,518	9,682	9,467	9,705	9,819	10,240	10,310	10,090	10,035	9,830
2006	9,395	9,230										

Source: BPS Statistics Indonesia and Business Indonesia Daily Newspaper

PSD SOYBEAN

PSD Table

Country Indonesia
Commodity Oilseed, Soybean

(1000 HA)(1000 MT)

	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		10/2004		10/2005		10/2006
Area Planted	0	680	0	720	0	740
Area Harvested	640	640	650	650	0	663
Beginning Stocks	105	99	102	62	107	67
Production	825	825	835	832	0	835
MY Imports	1175	1047	1300	1197	0	1370
MY Imp. from U.S.	1000	944	1100	1053	0	1206
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2105	1971	2237	2091	107	2272
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	0	0	0	0	0	0
Food Use Dom. Consump.	1961	1873	2085	1986	0	2158
Feed,Seed,Waste Dm.Cn.	42	36	45	38	0	41
TOTAL Dom. Consumption	2003	1909	2130	2024	0	2199
Ending Stocks	102	62	107	67	0	73
TOTAL DISTRIBUTION	2105	1971	2237	2091	0	2272
Calendar Year Imports	0	1266	0	1450	0	1600
Calendar Yr Imp. U.S.	0	1113	0	1276	0	1467
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

GEOGRAPHIC DISTRIBUTION OF SOYBEAN PRODUCTION (2003-2005)

Island/ Province	Area Harvested (Ha)			Production (MT)			% Share of Production		
	2003*	2004*	2005**	2003*	2004*	2005**	2003*	2004*	2005**
Sumatera	40,897	52,792	55,965	47,976	62,540	68,100	7.14	8.64	8.54
Java	374,346	384,476	413,370	488,149	502,201	552,875	72.68	69.41	69.36
Bali & Nusa Tenggara	73,944	85,924	99,466	88,199	104,994	120,140	13.13	14.51	15.07
Kalimantan	9,591	8,589	6,020	11,445	9,973	7,287	1.70	1.38	0.91
Sulawesi	22,987	27,889	29,373	30,388	37,766	41,170	4.52	5.22	5.16
Maluku & Irian Jaya	5,031	5,485	6,865	5,443	6,009	7,563	0.81	0.83	0.95
Total	526,796	565,155	611,059	671,600	723,483	797,135	100.00	100.00	100.00

Source: BPS Statistics Indonesia, processed by FAS/Jakarta

Note: Soybean production is on dried bean basis.
* : Final figure
**: Third forecast figure

SOYBEAN PRICES

Average Monthly Retail Prices For Soybean (Import)

Commodity Oilseed, Soybean (Import)

Prices in Rupiah per uom Kilogram

Year	2004	2005	% Change
Jan	4,030	5,300	32%
Feb	4,075	5,300	30%
Mar	4,055	5,500	36%
Apr	4,045	5,690	41%
May	4,175	5,715	37%
Jun	4,613	5,813	26%
Jul	5,070	6,000	18%
Aug	5,105	6,375	25%
Sep	5,078	6,281	24%
Oct	5,253	6,000	14%
Nov	5,267	6,367	21%
Dec	5,260	6,363	21%

Source: Centre for Market Information (PIP), Ministry of Trade

Average Monthly Retail Prices For Soybean (Local)

Commodity Oilseed, Soybean (Local)

Prices in Rupiah per uom Kilogram

Year	2004	2005	% Change
Jan	3,688	4,655	26%
Feb	3,600	4,650	29%
Mar	3,600	4,755	32%
Apr	3,600	4,880	36%
May	3,795	4,860	28%
Jun	3,930	5,250	34%
Jul	4,320	5,150	19%
Aug	4,315	5,400	25%
Sep	4,355	5,325	22%
Oct	4,568	5,200	14%
Nov	4,560	5,733	26%
Dec	4,460	5,570	25%

Source: Centre for Market Information (PIP), Ministry of Trade

PSD PALM OIL

PSD Table

Country Indonesia
Commodity Oil, Palm

(1000 HA)(1000 TREES)(1000 MT)

	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		10/2004		10/2005		10/2006
Area Planted	0	4190	0	4400	0	4620
Area Harvested	0	3350	0	3520	0	3696
Trees	0	469280	0	563200	0	609840
Beginning Stocks	464	278	508	494	550	544
Production	13200	14000	14200	15050	0	16330
MY Imports	25	15	25	10	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	13689	14293	14733	15554	550	16874
MY Exports	9200	9600	9900	10110	0	10970
MY Exp. to the EC	1650	1344	1800	1840	0	2098
Industrial Dom. Consum	370	428	415	778	0	1350
Food Use Dom. Consum	3550	3700	3800	4044	0	4200
Feed Waste Consumptio	61	71	68	78	0	84
TOTAL Dom. Consumpti	3981	4199	4283	4900	0	5634
Ending Stocks	508	494	550	544	0	270
TOTAL DISTRIBUTION	13689	14293	14733	15554	0	16874
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	9539	0	10042	0	10574
Calndr Yr Exp. to U.S.	0	12	0	13	0	14

EXPORT TAXES AND CHECK PRICES OF PALM OIL & DERIVATIVE PRODUCTS

Description	HS Code	Tax (%)		Check Price (US$/MT)	
		Old	New	Old	New
Oil Palm & Palm Kernel	1207.10.00.00	3	3	35	60
Crude Palm Oil (CPO)	1511.10.00.00	3	1.5	160	350
Crude Olein	1511.90.90.20	1	0.3	165	360
RBD Palm Oil	1511.90.90.10	1	0.3	175	360
RBD Palm Olein	1511.90.90.39	1	0.3	190	380

Source: Ministerial Decree No. 130/PMK/010/2005, dated Dec. 23, 2005
Ministry of Trade Regulation No. 35/M.DAG/PER/12/2005
Note: Effective October 10, 2005.

PALM OIL PRICES

Average Monthly Retail Prices For Palm Based Cooking Oil (Branded)

Country Indonesia
Commodity Oil, Palm (Branded)
Prices in Rupiah per uom Litre

Year	2004	2005	% Change
Jan	6500	7403	14%
Feb	6500	7335	13%
Mar	6500	7435	14%
Apr	6500	7295	12%
May	6918	7208	4%
Jun	7110	7325	3%
Jul	7164	7200	1%
Aug	7150	6550	-8%
Sep	7225	6400	-11%
Oct	7295	6900	-5%
Nov	7360	6708	-9%
Dec	7458	6531	-12%

Source: Centre for Market Information (PIP), Ministry of Trade

Average Monthly Retail Prices For Palm Based Cooking Oil (Non-Branded)

Country Indonesia
Commodity Oil, Palm (No brand)
Prices in Rupiah per uom Kilogram

Year	2004	2005	% Change
Jan	5183	4895	-6%
Feb	5153	4753	-8%
Mar	5510	4825	-12%
Apr	5680	4920	-13%
May	5785	4940	-15%
Jun	5538	5100	-8%
Jul	5305	5100	-4%
Aug	5115	5100	0%
Sep	5358	5325	-1%
Oct	5340	5600	5%
Nov	5210	5600	7%
Dec	5140	5358	4%

Source: Centre for Market Information (PIP), Ministry of Trade

PSD PALM KERNEL OIL

Country	Indonesia					
Commodity	Oil, Palm Kernel				(1000 MT)(PERCENT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		10/2004		10/2005		10/2006
Crush	3551	3407	3813	3498	0	3608
Extr. Rate, 999.9999	0.4339623	0.4299971	0.4340414	0.42996	0	0.429878
Beginning Stocks	94	82	99	25	105	31
Production	1541	1465	1655	1504	0	1551
MY Imports	14	3	13	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1649	1550	1767	1529	105	1582
MY Exports	920	1028	1000	1009	0	1060
MY Exp. to the EC	450	470	500	505	0	604
Industrial Dom. Consum	552	450	580	443	0	459
Food Use Dom. Consump	78	47	82	46	0	47
Feed Waste Dom. Consu	0	0	0	0	0	0
TOTAL Dom. Consumpti	630	497	662	489	0	506
Ending Stocks	99	25	105	31	0	16
TOTAL DISTRIBUTION	1649	1550	1767	1529	0	1582
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	976	0	958	0	992
Caldnr Yr Exp. to U.S.	0	37	0	34	0	35

PSD SOYBEAN MEAL

PSD Table

Country Indonesia

Commodity Meal, Soybean (1000 MT)(PERCENT)

	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		10/2004		10/2005		10/2006
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	21	26	21	34	21	36
Production	0	0	0	0	0	0
MY Imports	1460	1579	1500	1600	0	1700
MY Imp. from U.S.	150	79	125	80	0	90
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1481	1605	1521	1634	21	1736
MY Exports	10	0	10	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump	0	0	0	0	0	0
Feed Waste Dom. Consu	1450	1571	1490	1598	0	1710
TOTAL Dom. Consumptio	1450	1571	1490	1598	0	1710
Ending Stocks	21	34	21	36	0	26
TOTAL DISTRIBUTION	1481	1605	1521	1634	0	1736
Calendar Year Imports	0	1617	0	1638	0	1740
Calendar Yr Imp. U.S.	0	79	0	82	0	87
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD PALM KERNEL MEAL

PSD Table

Country Indonesia

Commodity Meal, Palm Kernel

(1000 MT)(PERCENT)

	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official	Post Estimate	USDA Official	Post Estimate	USDA Official	Post Estimate
Market Year Begin		10/2004		10/2005		10/2006
Crush	3551	3407	3813	3498	0	3608
Extr. Rate, 999.9999	0.5184455	0.5201057	0.5187516	0.5200114	0	0.5199557
Beginning Stocks	29	7	8	4	11	11
Production	1841	1772	1978	1819	0	1876
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1870	1779	1986	1823	11	1887
MY Exports	1400	1508	1500	1522	0	1575
MY Exp. to the EC	480	1126	500	1142	0	1181
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump	0	0	0	0	0	0
Feed Waste Dom. Consu	462	267	475	290	0	302
TOTAL Dom. Consumptio	462	267	475	290	0	302
Ending Stocks	8	4	11	11	0	10
TOTAL DISTRIBUTION	1870	1779	1986	1823	0	1887
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	1441	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

STRATEGIC INDICATORS

ANIMAL INVENTORIES-Beginning of Year (in head)				
Country: Indonesia		**Last Year**	**Current Year**	**Out Year Forecast**
Report Year: 2005	**2004**	**2005**	**2006**	**2007**
Poultry (including ducks)	1,181,950,196	1,283,701,504	1,347,322,899	1,400,000,000
Hogs	5,980,148	6,267,373	658,072	670,000
Dairy Cattle	364,062	373,970	388,929	400,000
Goats	12,780,961	13,182,064	13,445,705	14,100,000
Beef Cattle & Buffalo	12,936,187	13,107,695	13,763,080	14,000,000
MEAT PRODUCTION (in metric tons)				
Country: Indonesia		**Last Year**	**Current Year**	**Out Year Forecast**
Calendar Year: 2005	**2004**	**2005**	**2006**	**2007**
Poultry				
Poultry Meat (including ducks)	1,213,105	1,283,163	1,347,321	1,415,000
Eggs (including ducks)	1,107,325	1,148,405	1,182,857	1,240,000
Pork	194,683	198,145	202,108	206,000
Beef	447,573	463,819	489,329	500,000
Goat	57,132	58,857	60,623	63,000
COMPOUND FEED SECTOR (in 1,000 mt)				
Country: Indonesia		**Last Year**	**Current Year**	**Out Year Forecast**
Calendar Year: 2005	**2004**	**2005**	**2006**	**2007**
Compound Feed Capacity	10,000	11,000	11,000	11,000
Total Compound Feed Produced	6,549	6,839	7,348	7,830
------ by integrated producers	4,912	5,129	5,511	5,873
------ by commercial producers	1,637	1,710	1,837	1,958

PROTEIN - ENERGY USAGE (in 1,000 mt)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Marketing Year: 2005/2006	2004/2005	2005/2006	2006/2007	2007/2008
Total Protein Meal (feed waste domestic consumption)	1,914	1,971	2,101	2,293
Soy Bean Meal (feed waste domestic consumption)	1,571	1,598	1,710	1,882
Other Protein Meal:				
Palm Kernel Meal (feed waste domestic consumption)	267	290	302	316
Rape Meal (feed waste domestic consumption)	5	5	5	5
Fish Meal (feed waste domestic consumption)	n.a	n.a	n.a	n.a
Sunflower Meal	0	0	0	0
Cottonseed Meal	0	0	0	0
Feather Meal	0	0	0	0
Meat Meal	0	0	0	0
Palm Oil (feed waste domestic consumption)	71	78	84	90

TRADE (in 1,000 mt)				
Country: Indonesia		Last Year	Current Year	Out Year Forecast
Calendar Year: 2005	2004	2005	2006	2007
Corn				
Imports:	722	500	700	700
Exports:	30	39	50	60
Soy Beans				
Imports:	1,160	1,266	1,450	1,600
Exports:	0	0	0	0
Soy Bean Meal				
Imports:	1,504	1,617	1,638	1,740
Exports:	0	0	0	0
Fish Meal				
Imports:	69	72	70	70
Exports:	4	2	2	2
Sunflower Meal				
Imports:	0	0	0	0
Exports:	0	0	0	0
Rape Meal				
Imports:	79	60	65	65
Exports:	0	0	0	0
Cottonseed Meal				
Imports:	3	3	3	3
Exports:	8	0	2	2
Meat Bone Meal & Hydrolized Feather Meal				
Imports:	409	337	350	350
Exports:	11	15	10	10
Meat Meal				
Imports:	2	1	1	1
Exports:	0	0	0	0
Peanut Meal				
Imports:	68	25	25	25
Exports:	0	0	0	0
Palm Oil				
Imports:	4	9	5	5
Exports:	8,662	9,539	10,042	10,574

TARIFFS AND TAXES				
Country: Indonesia Report Year: 2005 HS Code:	Product Description	Bound Rate (%)	Applied Rate (%)	Other Import Taxes/Fees
0505.9	Feather Meal	40	5	10
1501.00.00.60	Yellow Grease	40	5	10
1502.00.00.40	Inedible Tallow	40	5	10
1511	Palm Oil	40	0	10
1518	Anml/Vg Fats & Oils	40	5	10
2301.10	Meat & Bone Meal	40	0	10
2301.20	Fish Meal	40	0	10

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